



RETIREMENT SYSTEM

*Partnering to build financial security for
members and their families*

Agenda

- **Importance of Pension to Members & State Economy**
- **Governance & Funding Health**
- **Cost of Living Adjustments (COLAs)**

Importance of Pension to Members & State Economy

WRS Members

- With **about 100,000 member accounts**, roughly 1 in 6 Wyomingites have a direct financial stake in WRS.
- Equivalent to about 17% of state population
- ...Or War Memorial Stadium sold out 3.5x



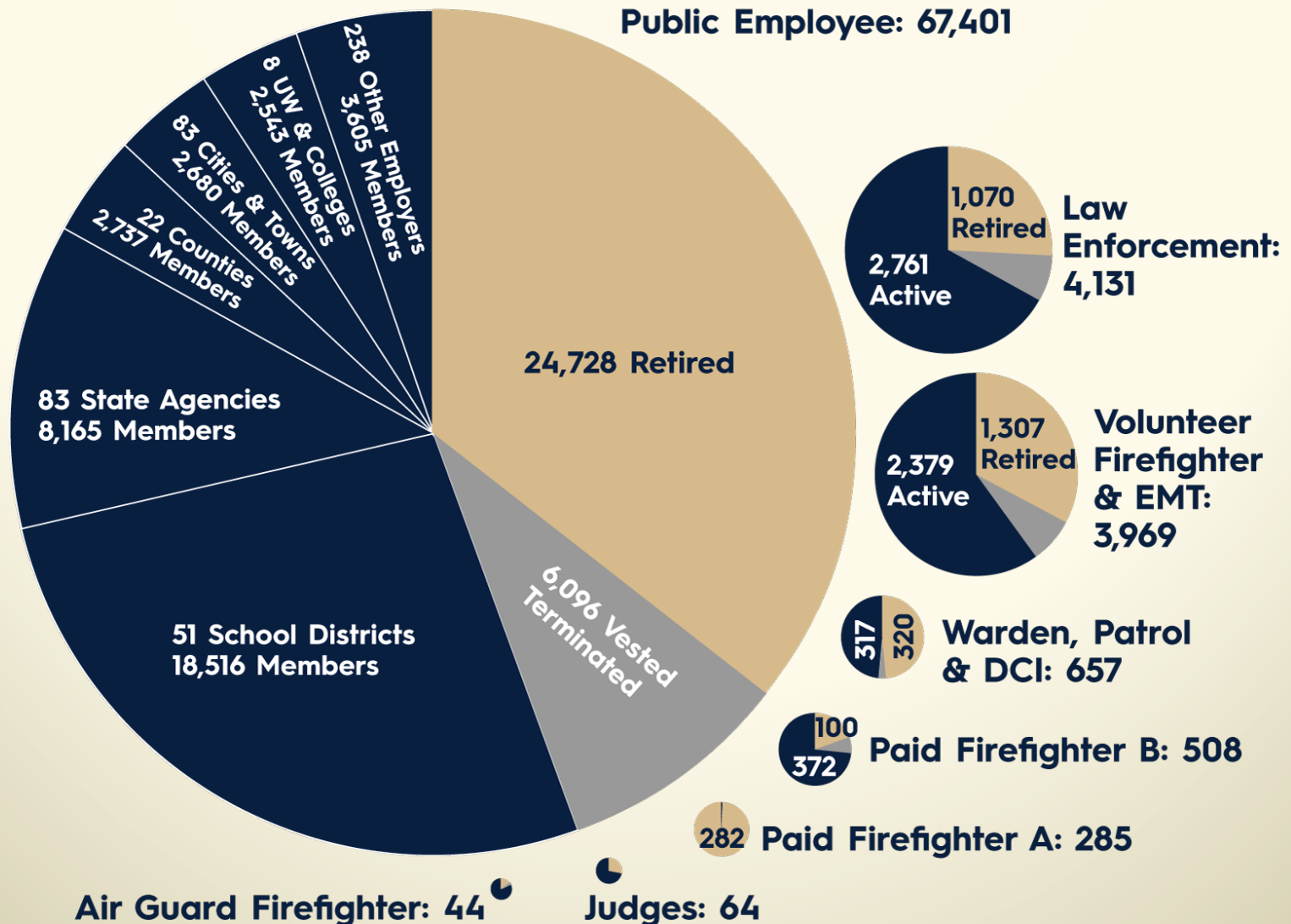
WRS Members

Members in every type of public employment

- School districts, cities, counties and special districts
- Firefighters & Law Enforcement
- University of Wyoming, community colleges
- State government

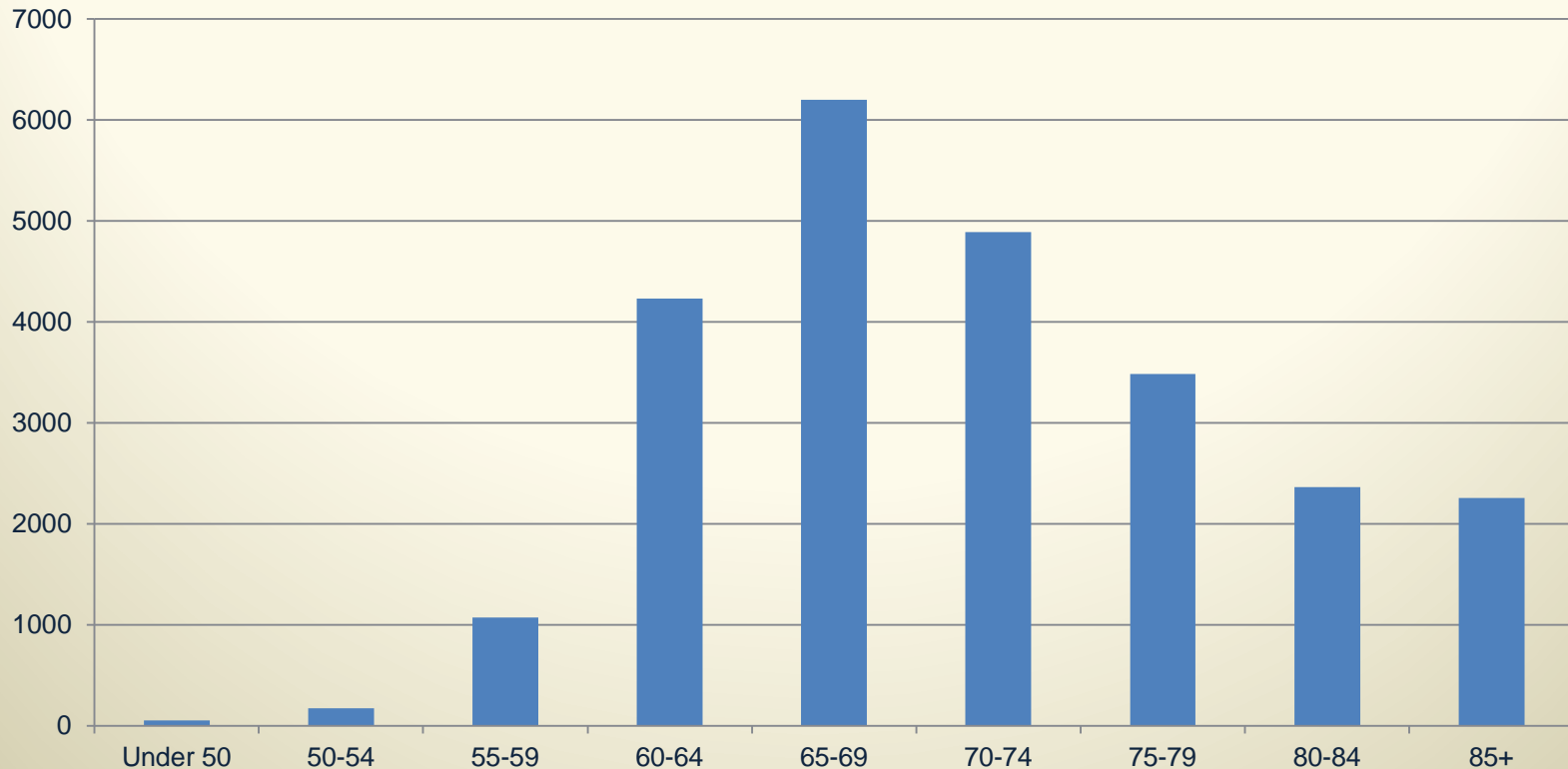


Pension Plan Membership



2015 Pensioners by Age

- **WRS' oldest retiree is 106 years old.**
- **There are 29 WRS retirees over 100 years old, and 915 retirees over age 90.**
- **Longest paid service retiree retired in 1971—45 years ago!**



Pension Importance in the Public Sector

Tool for public sector employers to attract and retain staff

- Bonuses and revenue sharing are not usually options in the public sector
- Limited advancement compared to many private sector companies

A pension is designed to promote employee retention and career service.

- WRS' longest serving retiree worked for over 53 years before retiring.
- There are 171 members who have served 40 years or more and are still working. There are 1,160 members who have served 35 years or more and are still working.

Pensions are Important in the Public Sector

- **87% of Active WRS Members Surveyed say the defined benefit pension is very important or mostly important** to keeping them in their current employment
- National research indicates the same

Importance of Job Features Among Public Sector Employees

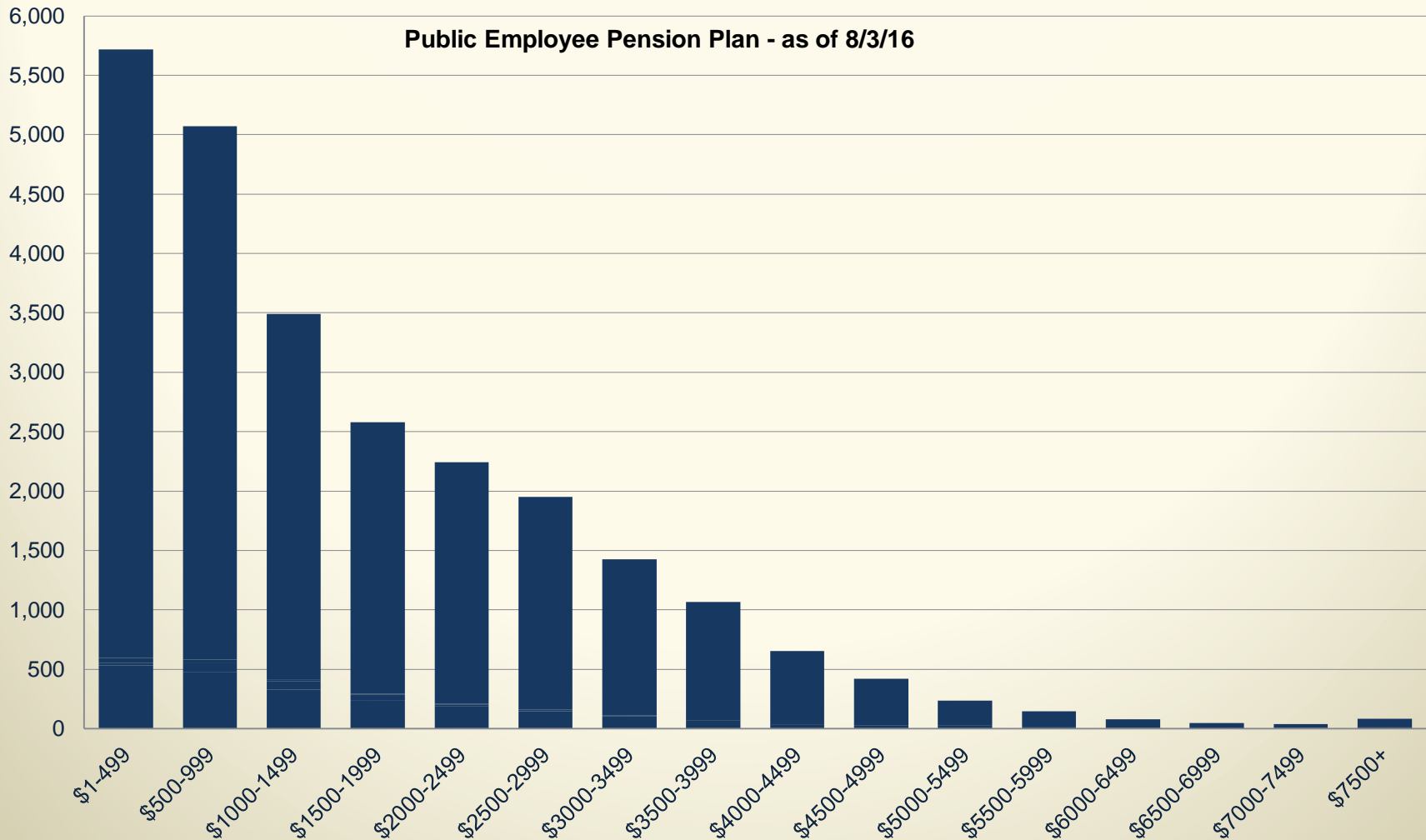
Health Insurance	1st
Retirement Benefits	2nd
Job Security	3rd
Salary	4th
Personal satisfaction	5th
Paid vacation	6th
Work-life balance	7th
Career advancement	8th
Professional development	9th

Source: Retirement Confidence Survey of State and Local Government Workforce (2016),
TIAA Institute and the Center for State and Local Government Excellence

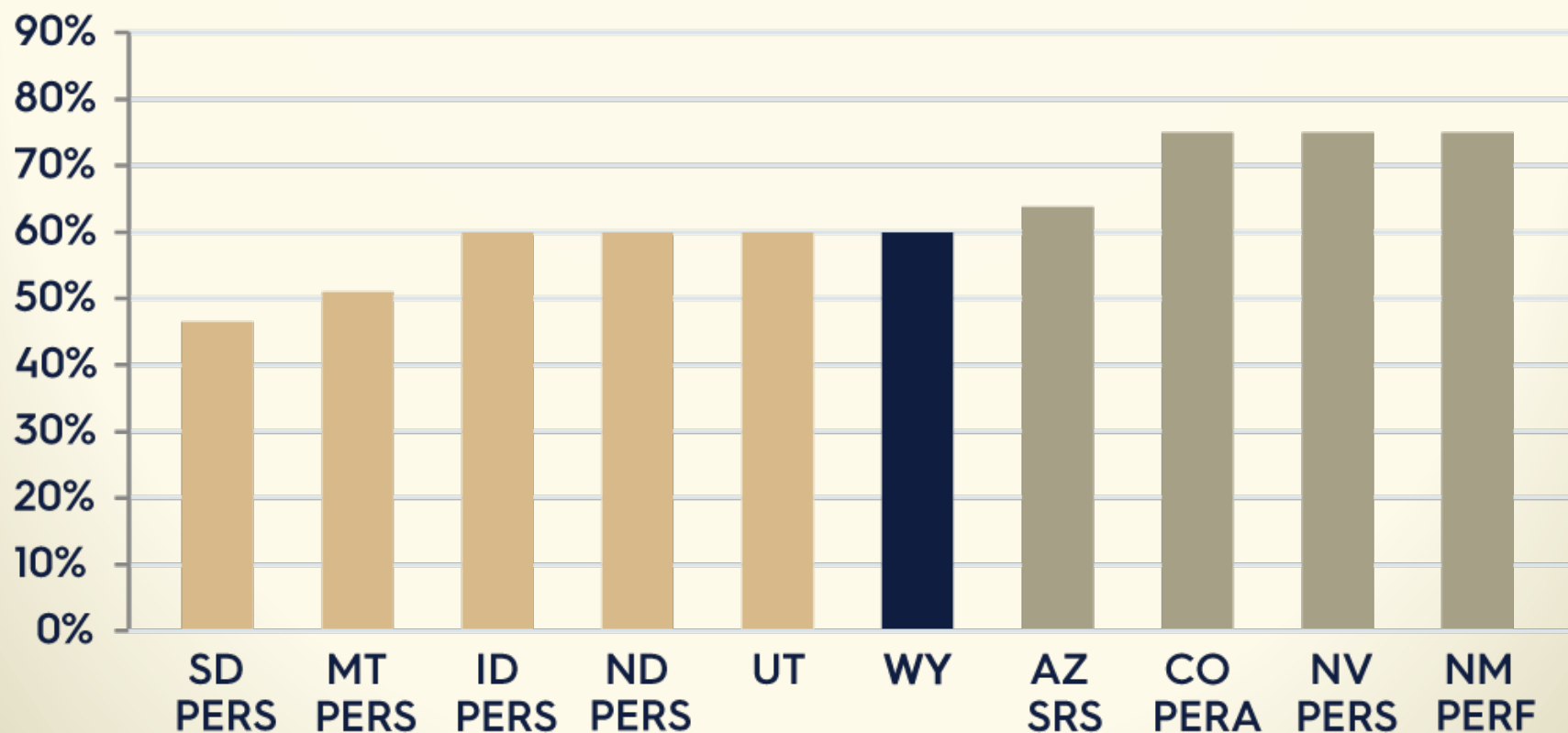
Public Employee Plan Member Benefits

- The average benefit paid to retirees in 2015 was \$18,639 annually or \$1,553/mo.
- The average service at retirement is 19.7 years

Monthly Benefit Payments By Amount



Member Benefits



When compared to a regional peer group, WRS Public Employee Pension benefits are within the norm

Based on 2016 WRS Comparison of Public Employee Pension Plan Tier 2 to Regional Peers

Pension Bang For the Buck

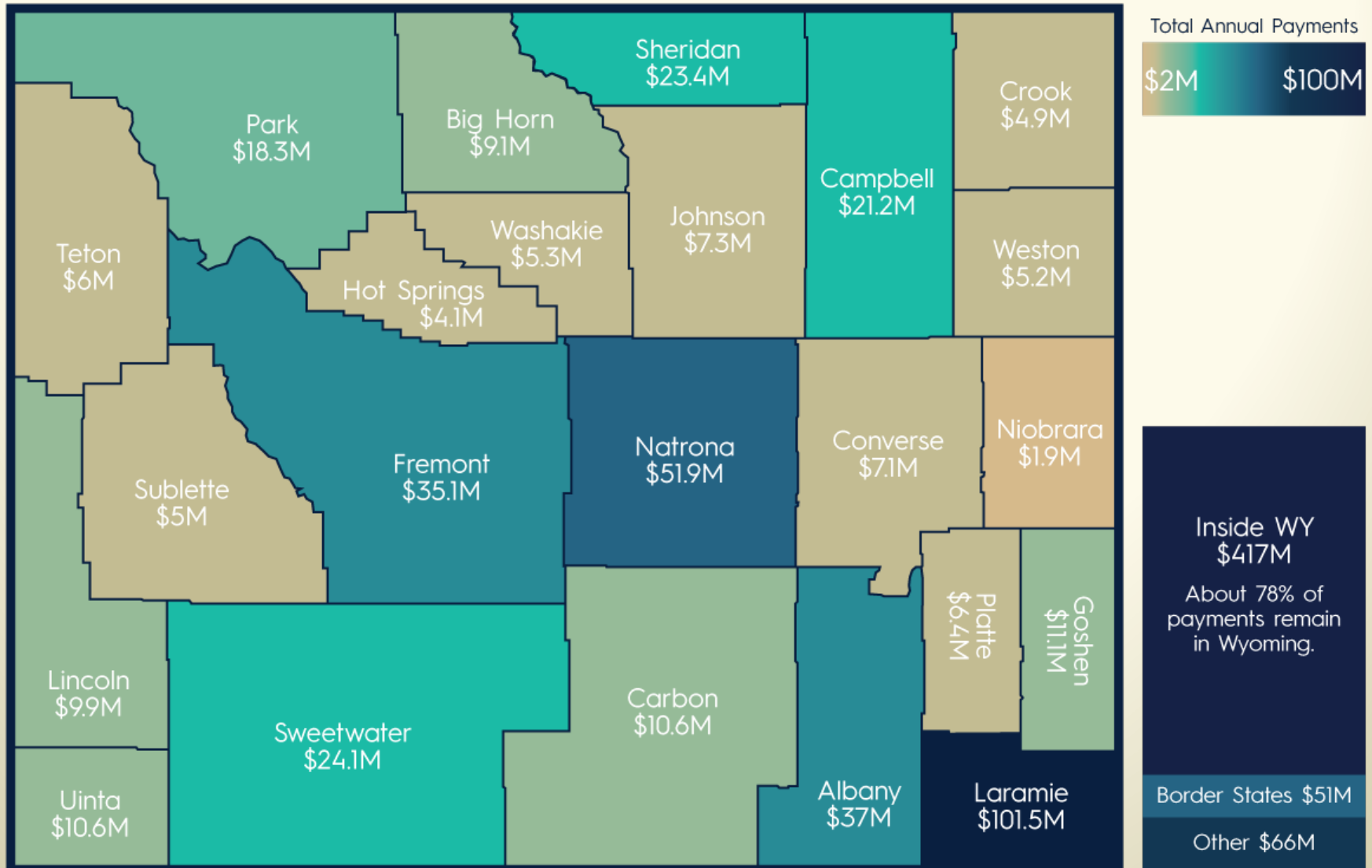
- \$534 million in benefits paid in 2015
- About 78% of benefit payments remain in Wyoming
- Pension payments have a ripple effect which stimulates and stabilizes the local and national economy. \$1 becomes \$1.20 in Wyoming according to NIRS

Resource: Why Do Pensions Matter? National Institute on Retirement Security

- “... pensions exert an independent, positive impact on older Americans’ economic well-being – an effect we call the ‘pension factor.’”

- Dr. Frank Porell, gerontologist and co-author of The Pension Factor 2012

2015 Benefits Paid By County

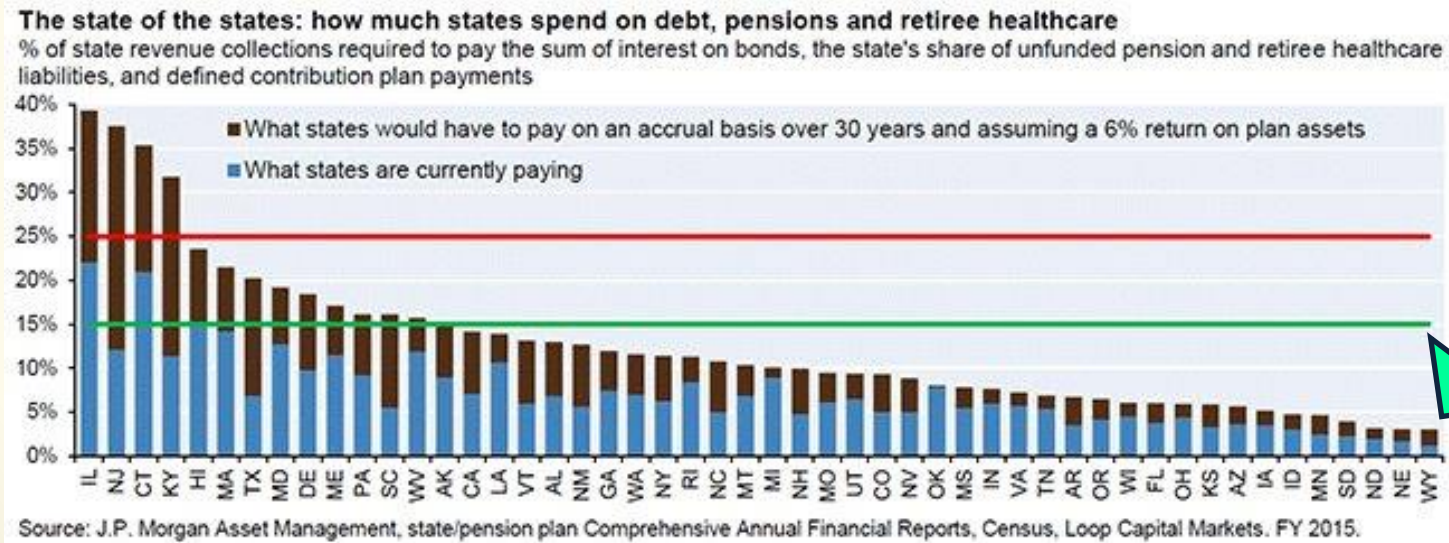


Pension Bang For the Buck

“A typical DB plan provides equivalent retirement benefits at about half the cost of a typical DC plan, and 29 percent lower cost than an ‘ideal’ DC plan modeled with generous assumptions.”

- National Institute on Retirement Security “Still a Better Bang for the Buck” 12/2014

Pension Bang For the Buck



- In 2013, contributions to WRS' pension plans were 2% of Wyoming's state and local government general spending.
- National weighted average for pension plan spending is 4.1%

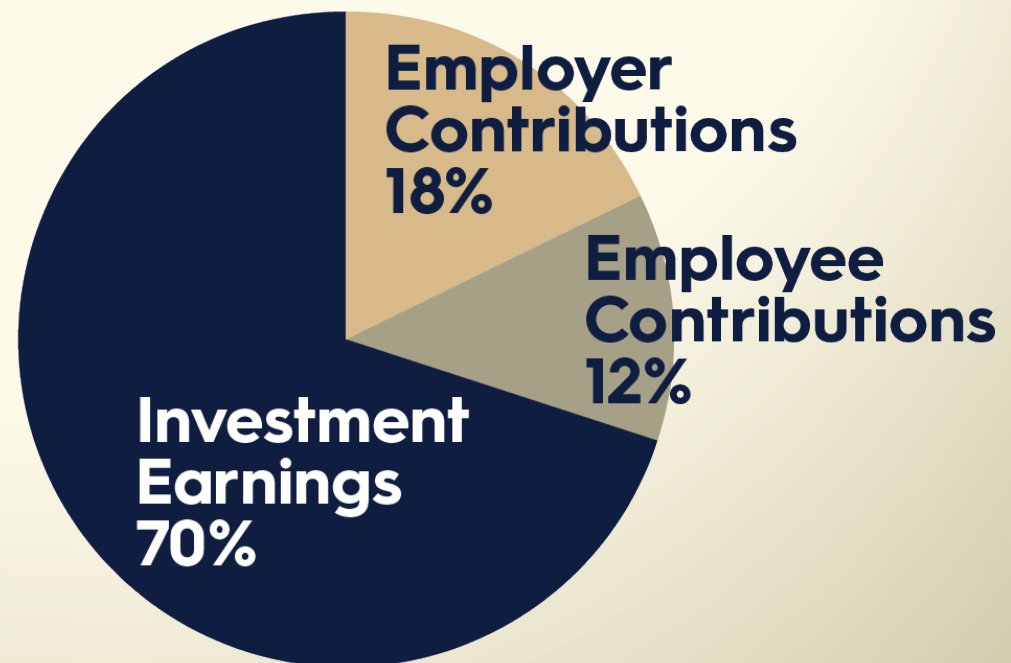
NASRA, Feb 2016

Pension Bang For the Buck

Low Fees and Professional Management

DB plans feature low investment and administrative expenses as well as management of investment earnings by professionals. *National Institute on Retirement Security "Still a Better Bang for the Buck" 12/2014*

Between 1993 and 2012, 70% of WRS retiree payments came from investment earnings.

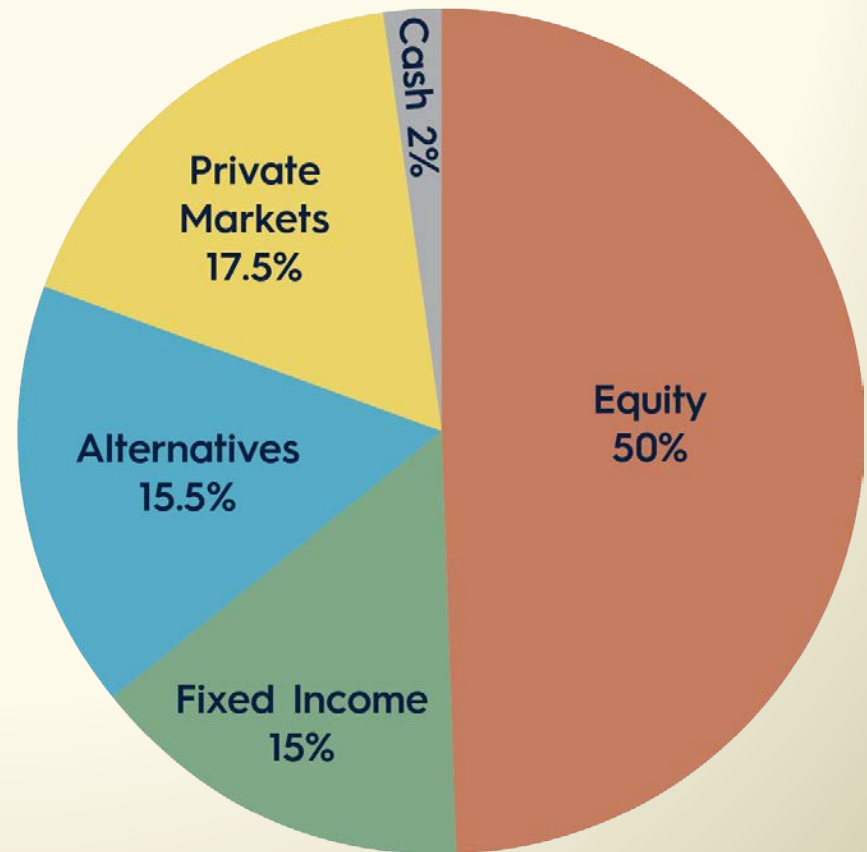


Pension Bang For the Buck

Asset Allocation

DB pensions are able to maintain portfolio diversification—specifically, stay invested in equities—over time, while DC participants must shift to lower-risk, lower-return investments as they age.

National Institute on Retirement Security “Still a Better Bang for the Buck” 12/2014



Pension Bang For the Buck

Longevity Risk Pooling

DB plans only have to fund benefits to last to average life expectancy. In a DC plan, an individual must accumulate extra funds in order to self-insure against the possibility of living longer than average.

National Institute on Retirement Security "Still a Better Bang for the Buck" 12/2014

Ideal Model of Retirement Security

- Social Security - insurance and retirement
- Pension - a guaranteed lifetime annuity
- Personal savings - best through a tax advantaged plan like WRS 457 plan or 401(k), 403(b), etc.



Plan Characteristics

Defined Benefit Pension

- Provide a monthly payment for life once the member meets vesting and service requirements
- Benefit determined by a formula based on member's salary, length of service and age at retirement
- Investments pooled and managed by the system
- Designed for security
- Risks pooled and managed by the Retirement System

Defined Contribution

- A tax-advantaged retirement account such as a 401(k), 403(b), 457, or IRA
- Benefit determined by individual savings rate & investment decisions
- Investments managed by the member or their designee
- Designed for portability
- Risks borne by the individual

DB Plans: The System Makes Your Mother Safer



CIO and Pension Staff

Professional
Diversified
Asset
Allocation

Regular
Re-
balancing

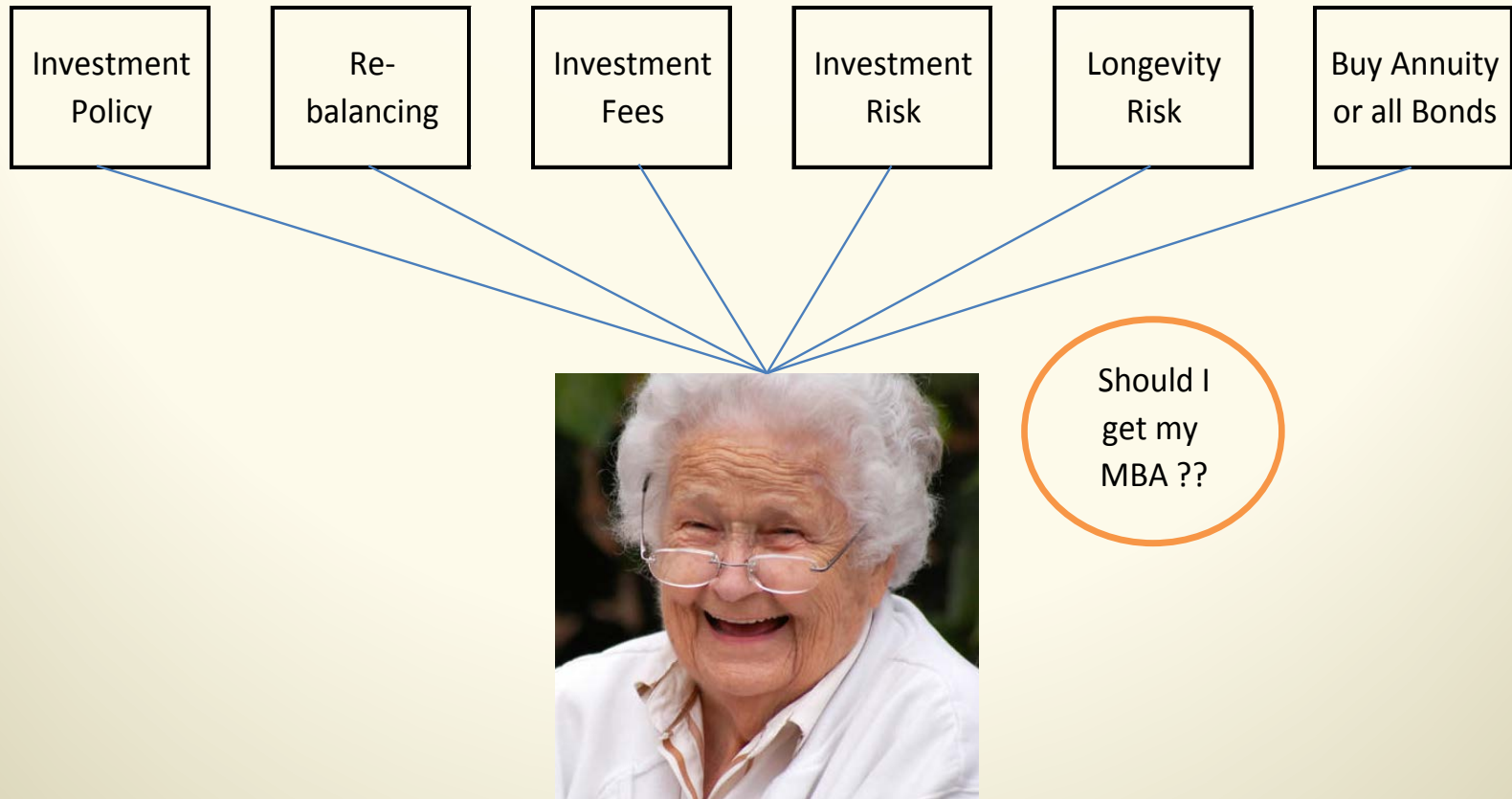
Lower
Investment
Fees

Pooling
of Risk

Pooling
of
Longevity
Risk

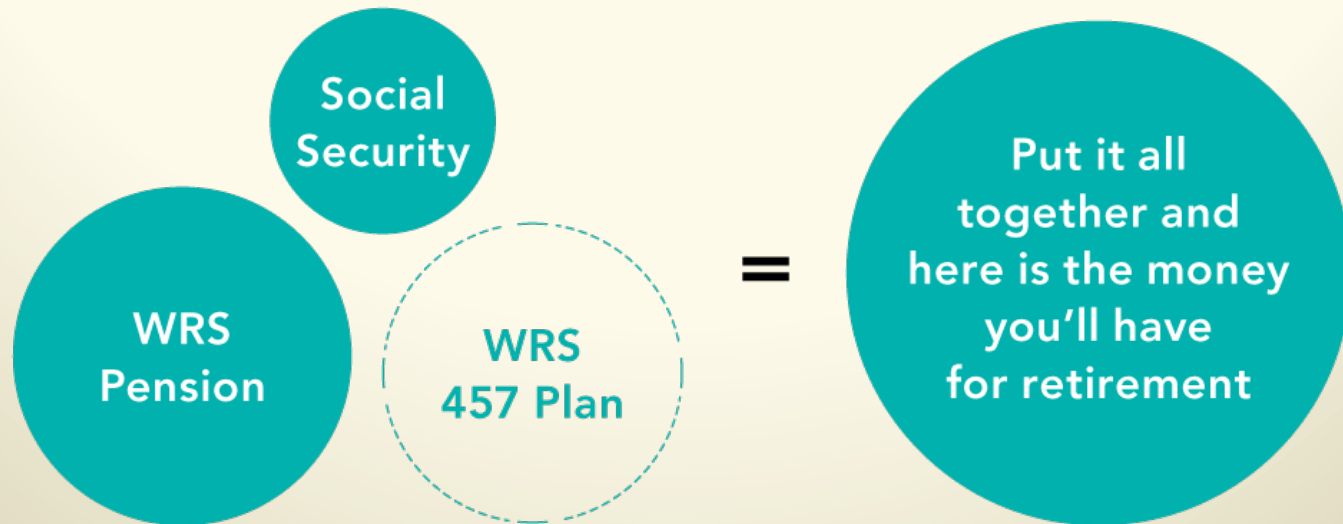
Perpetual
Long-Term
Investment
Policy

DC Plans: Your Mother Becomes her own CIO



Supplemental Savings WRS Deferred Comp 457 Plan

The pension and Social Security are major contributors to retirement security.....members also need to put aside a portion of earnings in the WRS 457 Plan



WRS Governance & Funding Status

WRS Structure

- Governed by a Board appointed by the Governor
- Executive Director employed by the Board
- Staff of about 40 full-time employees
- 8 Pension Plans and a Supplemental Section 457 Deferred Compensation Plan
- About \$7.7 Billion in pension assets and \$550 million in deferred compensation assets

WRS Board of Directors

Representing the Community At Large

- Laura Ladd, Chair of the Board
- Michael Ceballos
- Tom Chapman, Chair of Investment Committee and Chair of Deferred Compensation Committee
- Keith Hay
- Eric Nelson, Chair of Legislative & Benefits Committee

Representing Public Employers & Employees

- Tim Sullivan
- Steve Wolff, Chair of Strategic Planning & Governance Committee

Representing Educational Employers & Employees

- Garth Shanklin, Vice Chair of the Board
- Kay Watson

Representing Retirees

- Vicci Colgan, Chair of Audit Committee

Wyoming State Treasurer

- The Honorable Mark Gordon

The Wyoming Retirement System Board and Staff are Responsible for:

- The investment decisions and asset allocation of System assets.
- Setting actuarial assumptions and recommending the funding needed from employers to pay promised benefits.
- Collecting contributions from employers and employees and paying out benefits in accordance with the various retirement plan provisions.
- Evaluating and granting disability retirement pensions and death benefits.

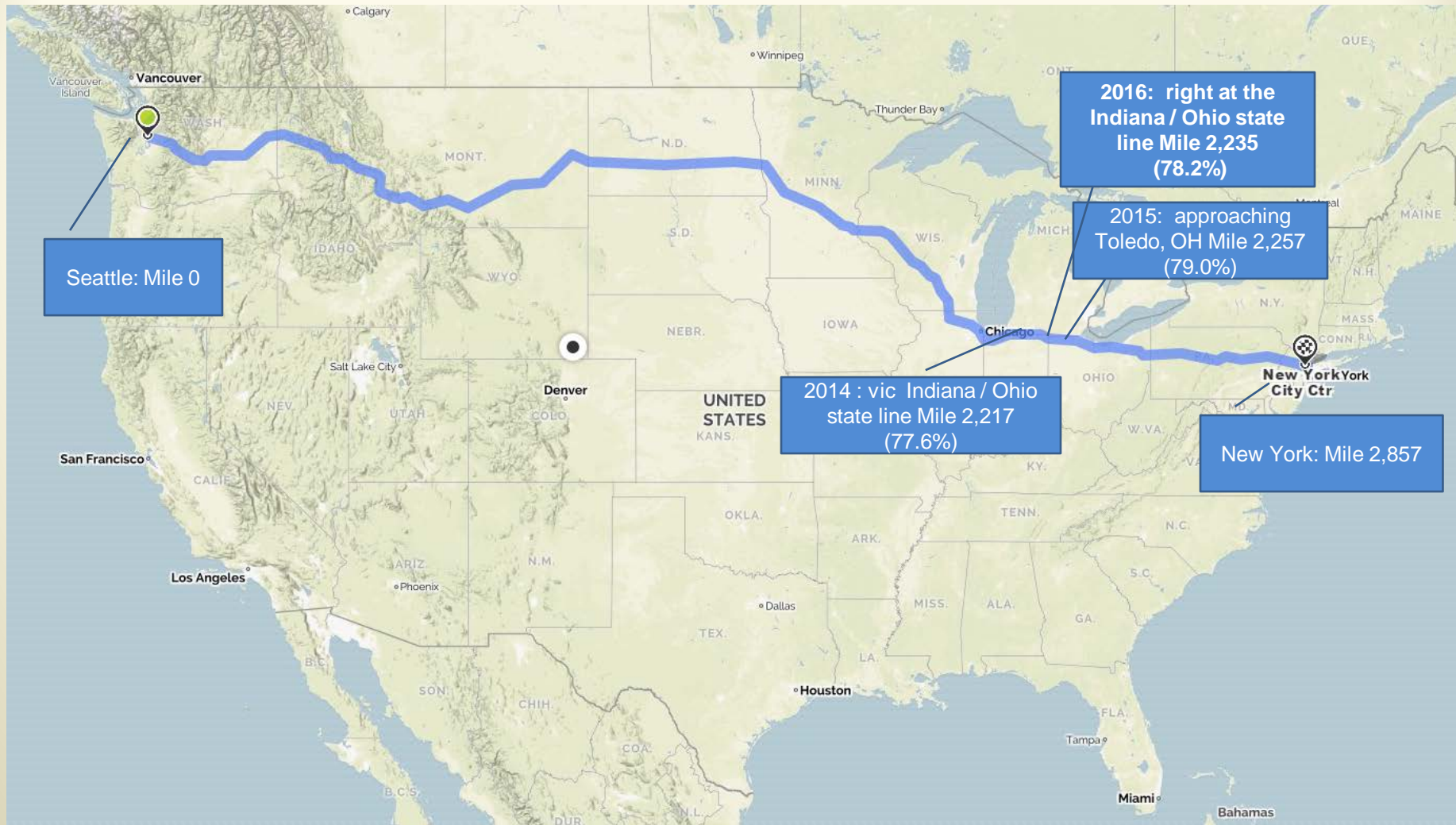
Funding Status

- A snapshot of the financial status of the pension plan at a moment in time.
 - Based on assumptions about investment returns, inflation, member life spans, projected salary increases and more
- According to the Society of Actuaries, pension plans should have a funding policy targeting 100%.

Funding Status

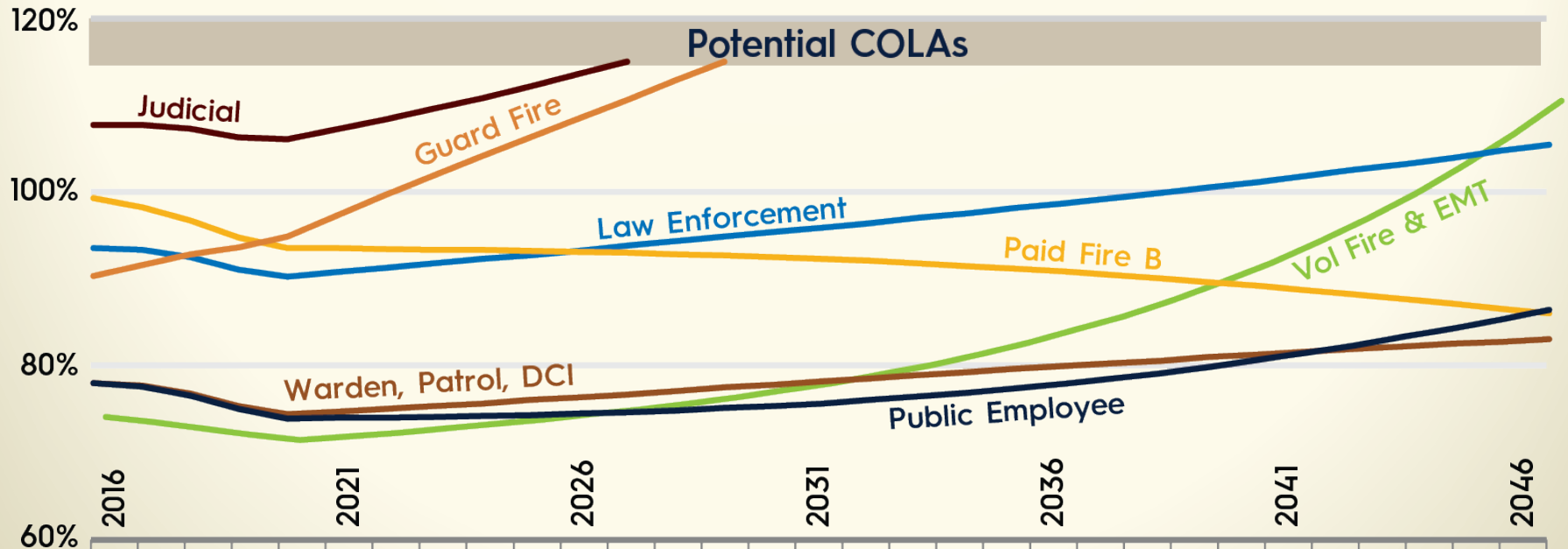
- As a snapshot, the funding status speaks to *position*; but *speed* and *direction* are also important.
- If New York was 100% funding*:
 - would you rather be in Chicago or Seattle? (position)
 - would you rather be boarding a bus in Chicago or an airplane in Seattle? (speed)
 - what if the bus in Chicago was headed for San Francisco? (direction)

* Example from Stephen Gauthier, Government Finance Officers Association, "The New Pension Accounting"



In a Seattle – New York analogy, WRS is at the Indiana / Ohio state line, having backed up 22 miles from last year

Funding Status Projections



(excludes closed Paid Fire A Plan)

Contribution Rate and Funding Ratio by Plan

Plan	Current Contribution Rate	1/1/2015 Funding Ratio	1/1/2016 Funding Ratio	30 Year Funding Ratio Projection
Public Employee	16.62%	79.0%	78.2%	86.4%
Warden, Patrol, & DCI	29.44%	79.2%	78.2%	83.1%
Law Enforcement	17.20%	93.7%	93.3%	104.9%
Judicial	23.72%	107.0%	107.1%	154.0%
Guard Fire	23.77%	89.7%	90.2%	154.6%
Paid Fire B	21.245%	100.1%	98.9%	86.0%
Paid Fire A	\$0	67.3%	63.9%	0% (2028)
Volunteer Firefighter & EMT	\$15/mo	NA	74.4%	109.8%

Plan Changes

43 states, including Wyoming, made changes to their pension plans between 2009 and 2011

- Increasing contributions
- Higher Age and Service Requirements for Normal Retirement
- Reductions in COLA provisions

Source: National Conference of State Legislatures

WRS Changes

- Contribution rate increases were legislated for some plans in 2010 and 2012. These changes continue to be phased in through 2017 for the Public Employee Plan.
- In 2012, a 2nd tier of benefits was created for the Public Employee Plan, which reduced the benefit for new employees.
- These changes have improved the financial outlook for WRS' Pension Plans. An Experience Study in 2017 will provide further assessment.

Experience Study

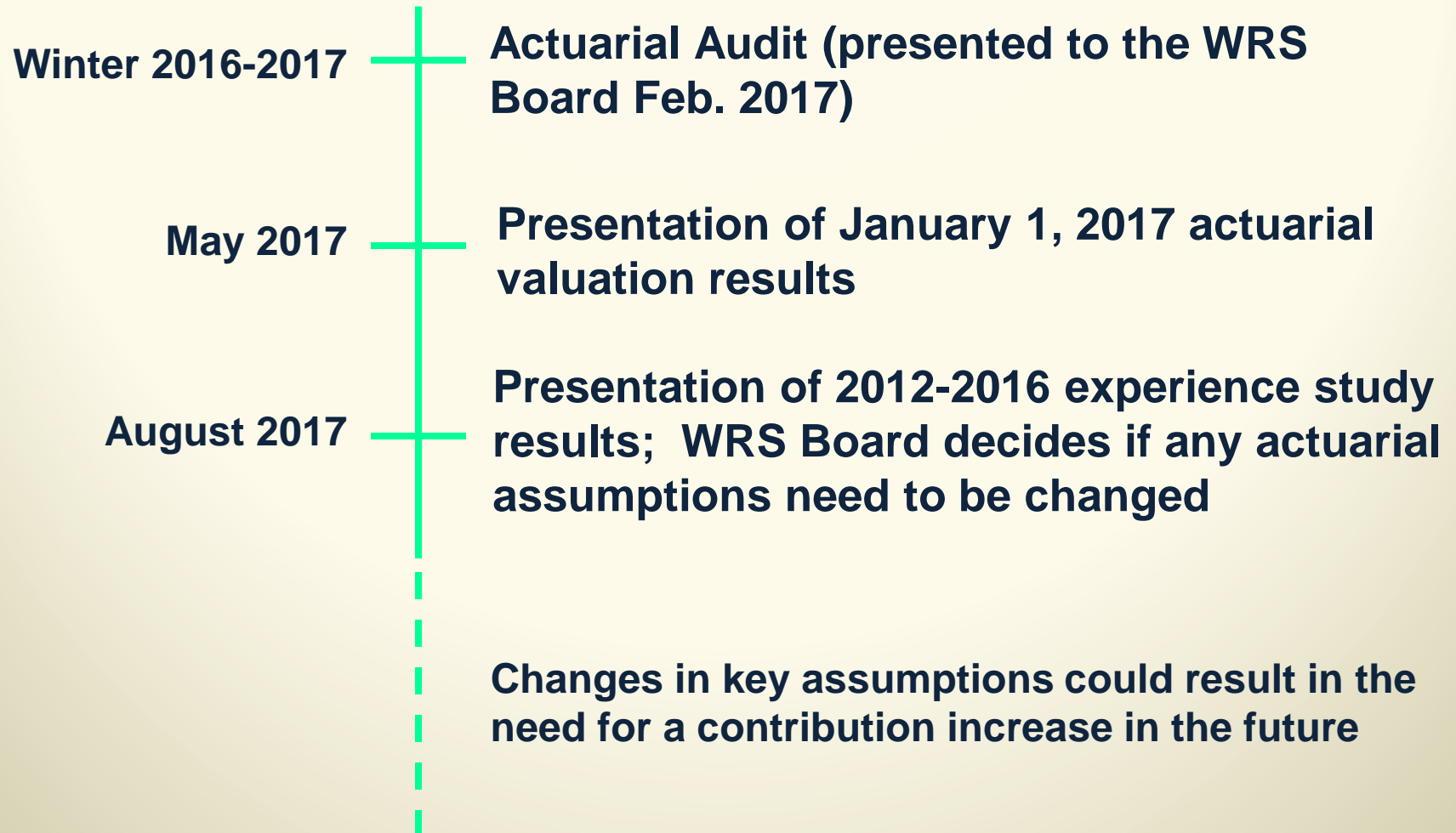
- Compare actual results to actuary's assumptions
 - Investment returns
 - Inflation
 - Wage Growth
 - Turnover
 - Mortality
- Move assumptions closer to actual plan experience

Current Plan Assumptions

Effective 1/1/2013

Investment Return/Discount Rate (inflation + real rate of return)	7.75%
Inflation	3.25%
Real Rate of Return	4.50%
Wage Inflation	4.25%
Merit Raises	Up to 1.75% by age
Payroll Growth	4.25%
Amortization Period	30-Year Open
Mortality	Generational
Retirement	Age-based modified
Termination	Age-based modified
Disability	Age-based modified
Refunds	25.00%

Timeline for Key Actuarial Events



Cost of Living Adjustments

Cost of Living Adjustments

- Cost of Living Adjustments for retirees are not guaranteed by most of WRS' Pension Plans.
- A 2012 change in state law set a requirement of 100% funding to award COLAs from pension assets and returned authority to grant a COLA to the Legislature
- The WRS Board has advocated for legislatively funded COLAs and has provided the Legislature with a tool for estimating the cost of COLAs.
- Previously awarded COLAs are still being paid to retirees.

Self-Funded COLA

In 2014 a new benefit option was added in which retirees can “self-fund” COLAs by taking a reduced initial benefit

Option	Benefit	1%	2%	3%
1	\$1,462	\$1,357	\$1,253	\$1,150
2	\$1,323	\$1,215	\$1,109	\$1,005
2P	\$1,311	\$1,201	\$1,093	\$987
3	\$1,389	\$1,282	\$1,176	\$1,073
3P	\$1,383	\$1,275	\$1,168	\$1,063
4A	\$1,439	\$1,336	\$1,234	\$1,134
4B	\$1,378	\$1,276	\$1,176	\$1,078
5	\$1,464	\$1,359	\$1,254	\$1,152

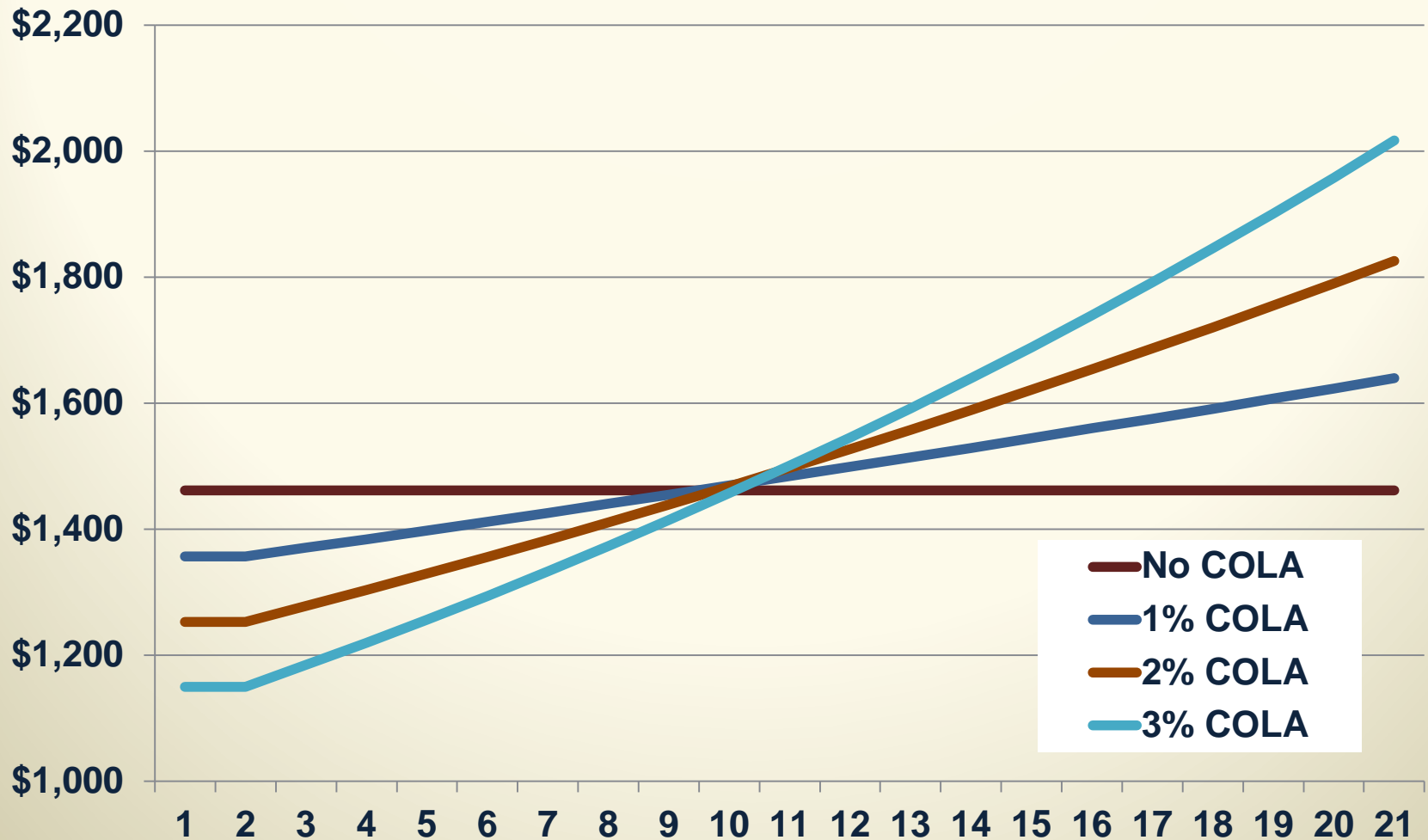
The number of years until the benefit reaches the original amount varies. Because it is designed to be cost-neutral to the system, the self-funded COLA is most beneficial to those who outlive the average life expectancy.

Self-Funded COLA Example

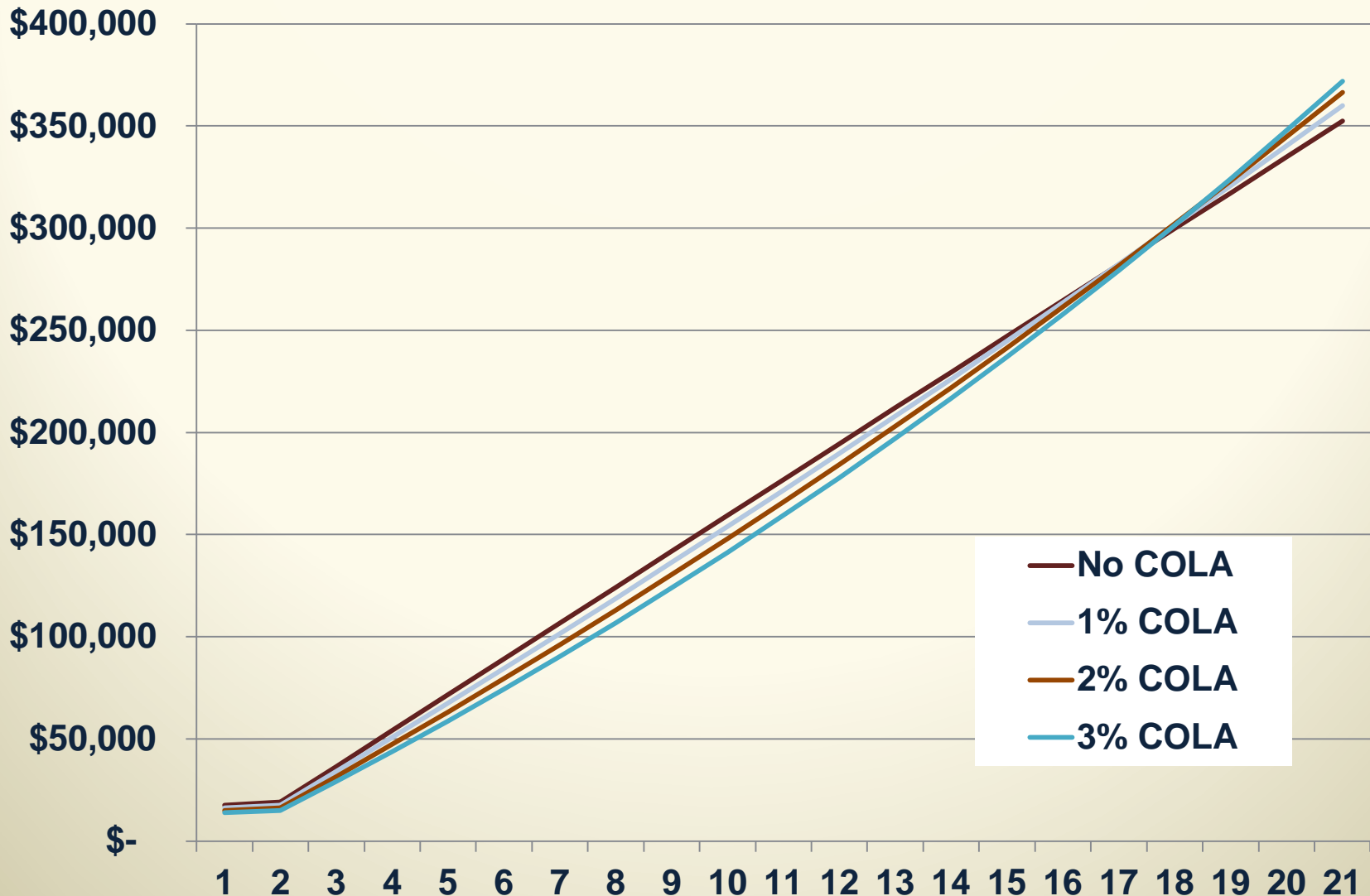
Public Employee Plan Benefit Option 2 Example.
Member age 60, Spouse age 59, 19 years of service.

YEARS in Retirement	Original Benefit	2% COLA Benefit
At retirement July 1	\$1323	\$1109
1st year	\$1323	\$1109
2nd year	\$1323	\$1131
3rd year	\$1323	\$1153
4th year	\$1323	\$1176
6th year	\$1323	\$1223
7 th year	\$1323	\$1247
8 th year	\$1323	\$1272
9 th year	\$1323	\$1298
10 year	\$1323	\$1324

Option 1 Monthly Pension Payments with Varying Self-Funded COLAs



Cumulative Total Pension Payout with Various Levels of Self-Funded COLAs



retirement.wyo.gov



Wyoming Retirement System
Partnering to build financial security for members and their families

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Welcome to the Wyoming Retirement System

The Wyoming Retirement System provides expert administration and responsible investment of Wyoming's public retirement and supplemental savings programs.

Pension Account Login
Login Help...

457 Plan Account Login

Employer Account Login
Employer Resources...

Employer Contribution Increases for Public Employee and Warden, Patrol, DCI Pension Plans Effective July 1

Continuing with a strategy to gradually adjust necessary contribution rates started in 2014, contribution rates increase for the Public Employee Pension Plan (including re-hired retirees and AWEC employees) and the Game Warden Highway Patrol and DCI Pension Plan this year.

Employer contributions for these plans are increasing on July 1, 2015. Employee contributions are not increasing. The employer "pick-up" of a portion of the employee contribution for state agencies, and others that follow the state agency formula, is not changing this year, though the employer "pick-up" will decrease each of the next two years.

[Contribution Rate Information...](#)

Spring/Summer 2015 Newsletter

Contents of the current newsletter include:

- 2015 Legislative Session Brings Positive Results
- Ruth Ryerson Named Institutional Investor's Executive Director of the Year
- 457 Plan Mix-Your-Own Investors Have Homework To Do
- WRS Board Updates
- and more...

[Download as PDF...](#)

WRS' Ruth Ryerson Named Executive Director of the Year

Wyoming Retirement System (WRS) Executive Director Ruth Ryerson was named Executive Director of the Year at Institutional Investor's Investor Intelligence Awards for Public Funds.

"An award like this wouldn't be possible without the work of the WRS Board and staff," says Ryerson. "It would be impossible for an executive director to succeed without the hard work and support of many individuals that make WRS one of the best public pension systems in the country."

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Latest news:
7/10/2015
Retirement Educator
schedule week of July
13th - 16th
7/1/2015
Retirement Educator
schedule week of July 7th
6/24/2015
Retirement Educator
schedule week of June
22nd.

Current events:
7/30/2015
Retiree Payroll
8/28/2015
Retiree Payroll

- Online access to pension and 457 plan accounts
- Plan information
- Calculators for benefit estimates, service purchase & retirement planning
- Reports, member news & more...

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